



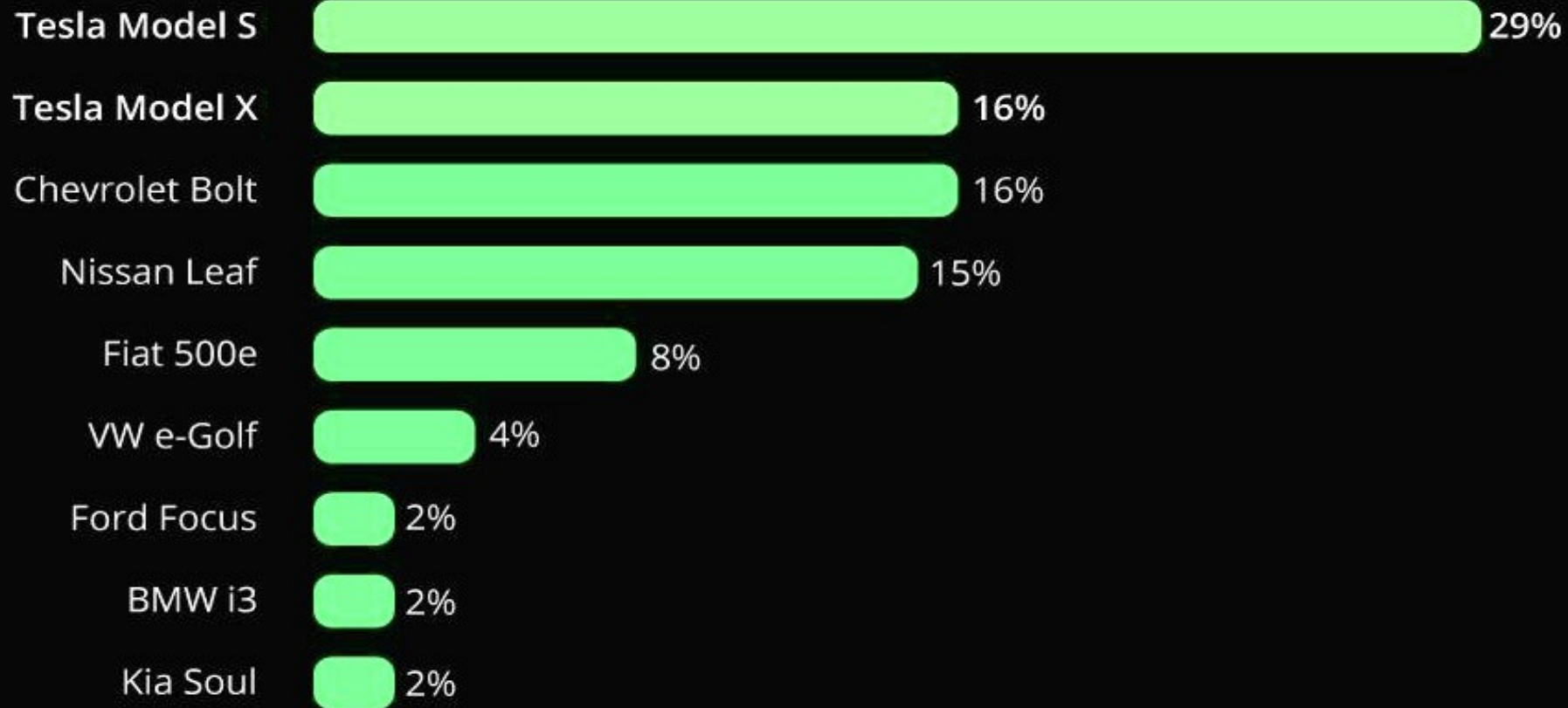
TESLA

Case Questions

- (1) How was Tesla was able to disrupt the electric car market?
- (2) Is Tesla a “green product”?
- (3) Who are Tesla’s Customers and what drives their purchase decisions?
- (4) Is Tesla pursuing an environmental differentiation strategy?

Tesla Dominates the U.S. Electric Car Market

U.S. electric vehicle sales share (based on unit sales between January & June 2017)



Source: Forbes,
Statista

How Tesla Transformed the Electric Car Market

- Product

- Performance: Model S outperforms conventional competitors on key verticals such as speed, horsepower, and volume
- Infotainment: Best-in-class display, OS, and broadband speed heighten user experience

- Process

- PP&E: Purchased manufacturing plants from struggling automakers at fire-sale prices
- Software: OTA updates present significant time and cost savings over traditional recalls
- EMS Model of Production and Silicon Valley culture
- Sales Channel: Lack of dealership model allows ~5% increase in gross margin

- Perception

- Willingness to Pay: Silicon Valley “cool factor” increases customer demand
- Grassroots marketing: 5-star reviews and word-of-mouth reduce the necessity for marketing spend
- Thought-leadership: innovation leads to high-dollar b2b contracts with other automakers

Source: HBSP

Who are Tesla's Customers?

Model S



- Early adopters are predominantly educated west-coast men with income higher than \$100K
- Strong demand for Model S in the used market, indicating demand for price-conscious buyers

Model X



- SUV model made inroads with women and middle-America, but still out of price-range for the average buyer

Model 3



- New model makes play for younger buyers who are tech-savvy, eco-minded, and entry-level luxury buyers

Tesla customers uniquely value Performance and New Technology compared to other EV customers

TELSA	BMW	TOTAL EV
Environmental 24 Impact	Environmental 32 Impact	Environmental 22 Impact
Performance 20	Fuel Cost Savings 23	Fuel Cost Savings 37
New Technology 16	HOV Lane Access 15	HOV Lane ACCESS 16

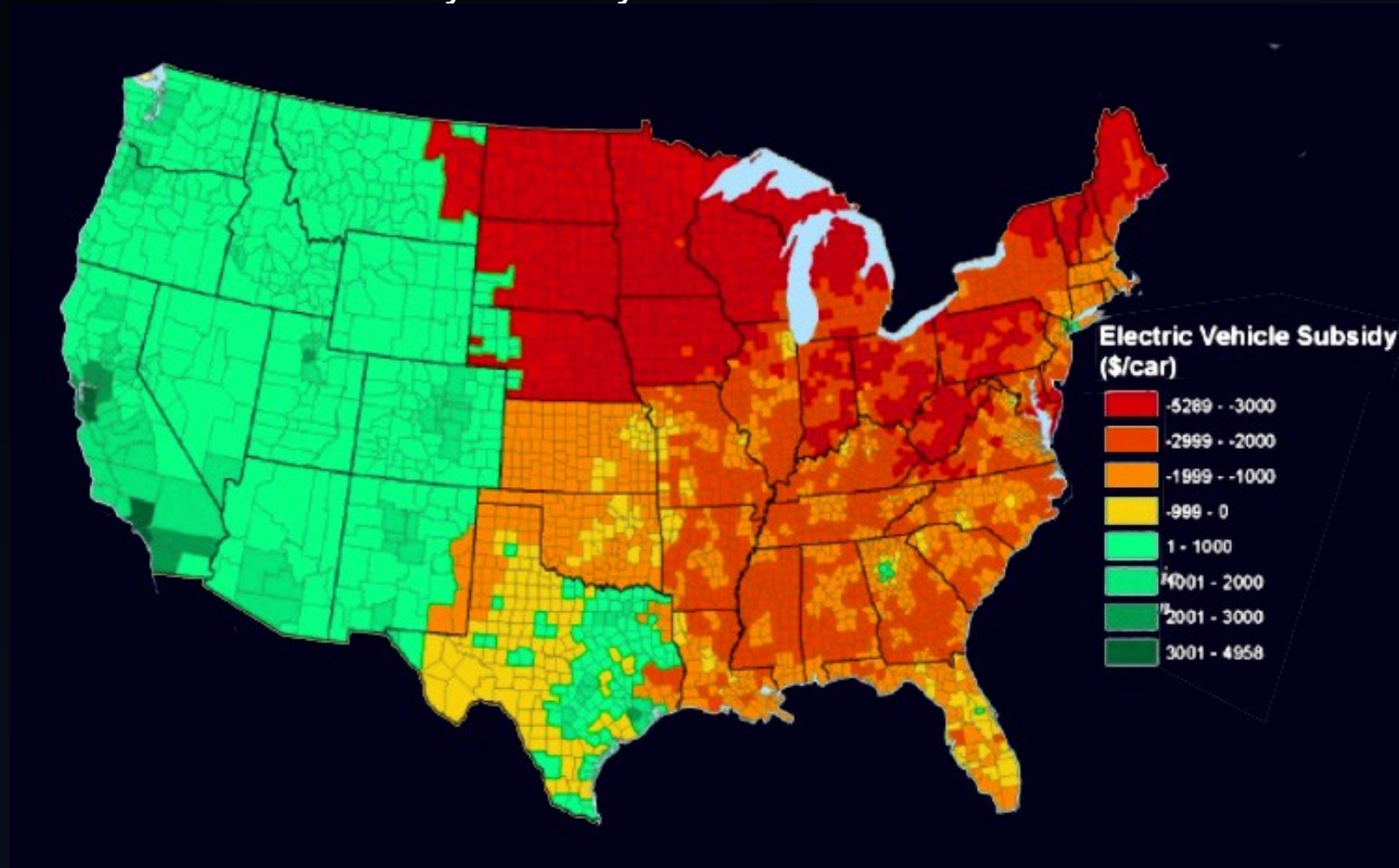
Is Tesla pursuing an environmental differentiation strategy?

In contrast to EV competitors, Tesla differentiates its marketing efforts via its superior design, speed, handling, and cool-factor rather than focus exclusively on environmental impact.



Is Tesla a Green Product?

Environmental impact of EVs depends on location-specific power infrastructure.
In “red” states, it’s less environmentally friendly to own a Tesla.



Source: LSE Business
Review

How Can Tesla Expand Its Market?

- Increase Charging Infrastructure
 - Scarcity of charging locations creates “range anxiety” among consumers
- Increase Production Capacity
 - Currently difficult for Tesla to meet demand. Model 3 is stuck in “production hell”
 - New manufacturing and battery plants will cost billions
- Legislation
 - Legislation in states such as North Carolina and Texas prohibit non-dealership auto sales
 - Must lobby to change laws or eventually go through dealerships
 - Maintain support for federal tax credit incentives and support additional incentives at the state level

Sources

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